



# President's Council on Integrity and Efficiency

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## Testimony of

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## Before the

Subcommittee on Government Efficiency, Financial  
Management and Intergovernmental Relations  
Committee on Government Reform  
United States House of Representatives

## Regarding

The President's Management Agenda:  
Getting Agencies from Red to Green

Mr. Chairman and Members of the Subcommittee:

I am pleased to be here today to discuss the President's Management Agenda and the role of the Inspector General (IG) community in accomplishing this agenda. Specifically, I would like to share some information on the community's expertise, our views on the Agenda itself, and our role in overseeing as well as facilitating this effort. But before I begin, I would like to take this opportunity to briefly introduce myself and the community I represent.

I am one of 29 presidentially appointed, Senate confirmed IGs, who are members of the President's Council on Integrity and Efficiency (PCIE). Created by Executive Order in 1981, the PCIE provides a forum for IGs, the Office of Management and Budget (OMB), and other federal officials to work together and coordinate their professional activities. Since May 1999, I have served as the Vice Chair of this Council. It is in the capacity of the PCIE Vice Chair that I appear before this Subcommittee today.

### **How is the IG Community Positioned to Comment on the Management Agenda?**

Almost 24 years ago, the IG concept was developed and enacted into law. While the Act has been amended several times over the years to add new IGs and clarify reporting requirements, the basic tenets of the Act's intended mission have remained constant and strong. The Act charges IGs to independently (1) conduct and supervise audits and investigations relating to the programs and operations of their agencies and review related legislation and regulations; (2) provide leadership for activities designed to promote economy, effectiveness, and efficiency and fight fraud, waste, abuse in their agencies; and (3) keep agency heads and the Congress informed of problems. Simply put, the role of the IG is to protect the integrity of government programs through traditional audits and other reviews; improve program effectiveness; and prevent and detect fraud, waste, and abuse.

The Offices of Inspector General (OIGs) bring to bear a long-standing historical perspective on the challenges and opportunities facing our government. OIGs offer stability and a broad base of knowledge and expertise on individual agencies and the government as a whole. In addition to our agency-specific audit, inspection, evaluation, and investigation reports, each OIG summarizes its work in semiannual reports to the Congress to communicate the most pressing issues facing their agencies.

Over the last several years, OIGs have assisted the Congress, and in particular the House Committee on Government Reform, and played a significant role in advancing the implementation of the Government Performance and Results Act (GPRA) of 1993. GPRA calls for each agency to develop a strategic plan, an annual performance plan, and measurable objectives for comparing planned efforts with actual results. Many OIGs have been providing independent assessments as well as insight and advice to help promote this important legislation. We envision the implementation of the Management

Agenda to be quite similar to the GPRA effort and, because of past contributions, believe we are well qualified to offer our assistance.

As a community, OIGs have focused attention on good government for many years. In May 2001, the PCIE, along with the Executive Council on Integrity and Efficiency (ECIE), which serves a parallel mission as the PCIE for the 28 Designated Federal Entity IGs, adopted its *Strategic Framework* to memorialize this responsibility. The *Strategic Framework* articulates the Councils' mission, vision, goals, objectives, and strategies for the next three years. I will talk more specifically about the framework later.

To guide its strategic direction and stay apprised of government-wide issues, the PCIE has an Executive Council, six standing committees, and two roundtables. Ad hoc committees and working groups are formed, as needed, to stay abreast of pertinent issues and share best practices aimed at improving government programs and initiatives. We promulgate standards for our community to ensure that our work is of the highest quality and integrity and oversee a process to ensure that our work is done in accordance with these and other professional standards.

Communication and coordination are basic tenets of the IG community. To convey and share our ideas, knowledge, and experience, we employ a variety of publications, forums, and working groups. At this time, I'd like to share with the Subcommittee some examples...

### **Annual Progress Report**

In our last progress report, the PCIE and ECIE highlighted the community's many accomplishments over a 12-month period and focussed attention on several initiatives and management challenges that were of national interest. This report, *A Progress Report to the President for Fiscal Year 2000*, detailed the pivotal role the OIGs have assumed in such areas as:

- information technology
- GPRA compliance and accountability
- financial management, and
- program integrity.

Through hundreds of independent and objective audits, evaluations, inspections, and investigations of Federal programs and activities, OIGs uncovered potential savings of \$9.5 billion and identified recoveries of almost \$5.5 billion. We look forward to issuing our fiscal year 2001 annual report to the President later this spring.

### **Journal of Public Inquiry**

For a number of years, the IG community has published its *Journal of Public Inquiry* to offer professionals both inside and outside of the IG community and scholars an opportunity to address issues of importance. In anticipation of the January 2001 change in

Administration, we issued a 2-part special edition of the *Journal* to focus attention on programs and activities in broad, functional issue areas. The first part discussed how past OIG efforts have contributed to government efficiency and effectiveness. The second part highlighted important issues facing the next Administration from the OIG perspective. In more recent editions, we have addressed other critical issues, such as human capital and the integrity of international governments.

### **Management Challenges Report**

Over the past 3 years, OIGs across government have examined their agencies' programs and operations and highlighted their agencies' "top management challenges." With their focus toward activities that promote government-wide efficiency and effectiveness, the Councils have compiled these challenges into a short report to attract high-level attention. As we will discuss below, five of the eight challenges, which we highlighted in our March 27, 2001 report to the Chairman and Ranking Member of the House Government Reform Committee, are prominently featured in the President's Management Agenda. We anticipate that our next management challenges report, which we plan to issue by the end of next month, will feature a number of the same initiatives.

As these activities attest, we are deeply committed to the IG mission and ready to offer our perspectives on the President's Management Agenda, as you requested.

### **What Are the IG Community's Perspectives on the President's Management Agenda?**

The President's Management Agenda was announced last August to "address the most apparent deficiencies where the opportunity to improve performance is the greatest." Its goal was to establish a more responsible and responsive government that was citizen-centered, results-oriented, and market-based.

The Administration stated that its focus was on five government-wide initiatives:

- Human Capital Management
- Competitive Sourcing
- Financial Management Improvement
- Expanded Electronic Government, and
- Integration of Budget and Performance.

To show where the government stands on these initiatives and the progress agencies are making, the Administration is using an Executive Branch Management Scorecard. This scorecard applies the "traffic light" approach for each of the five initiatives to gauge progress by 26 agencies, including OMB. Red represents unsatisfactory performance in any one condition, yellow is for mixed results, and green means that all the standards for success have been met. The scores are based on standards for success as developed by the President's Management Council in consultation with others such as OMB, the General Accounting Office (GAO), and other experts from government and academia.

Mr. Chairman, the issues raised in these initiatives are not new to us. At this time, I would like to offer the IG community's perspective on each of the five government-wide initiatives. I will also describe some of the work that we as individual OIGs or as a community have done in these areas, including items that may need further consideration.

## **1. Human Capital Management**

Human capital management has recently been receiving increased attention throughout government. The GAO was one of the first agencies to highlight this area as a "high risk" factor for the federal government. The wave of expected retirements, recruitment and retention obstacles, inadequate evaluation and reward systems, and outdated training and education methods are areas that need immediate attention. The goal of the Administration is for each agency to develop a viable human resource strategy to attract and retain the right people, in the right places, and at the right time to enable the agency to be a high performance organization that delivers high quality services to the American public.

Members of the IG community believe this area is a major management challenge not only for their respective entities but also within their own organizations. The theme of a recent issue of our *Journal of Public Inquiry* emphasized the challenges government agencies and the IG community are facing with these human capital issues. This publication contained articles on:

- Evaluating the Efficacy of Agency Human Capital Systems
- Recruitment Strategies to Attain a High Quality and Diverse Workforce
- Building an Organization for Higher Performance
- Succession Planning and Training Needs
- Telecommuting and Offsite Workplaces

In the March 2001 management challenges summary that I mentioned earlier, 18 of 27 OIGs also cited human capital as a top agency challenge compared to 7 OIGs the year before. Many OIGs are addressing this area through workforce analyses and other activities in their respective agencies. The PCIE has also aligned its committee structure by establishing a Human Resources Committee to create and implement innovative and effective human resource management programs within the community.

## **2. Competitive Sourcing**

This initiative is intended to increase public-private competition for improved performance and cost savings. As part of the Federal Activities Inventory Reform (FAIR) Act, agencies and departments as well as the OIGs have been identifying functions that could be performed by the private sector. As the federal government increases its competitive resource programs, oversight of agency contracting activities will take on added importance.

As a note of caution, the federal government has been lax in its contractor oversight. Our annual reports to the President are full of examples where poor contractor oversight resulted in excessive and unnecessary costs to the taxpayer and, even more alarming, fraudulent billing schemes.

Last year, 20 of 27 OIGs identified procurement and grant management as a major management challenge. We noted that appropriate internal controls and oversight of these areas must be in place to ensure that the goods or services are not only meeting the needs of the government and the public, but that they are provided in the most cost-effective and efficient manner. OIGs are continuing to look at how entities have been facilitating competition and providing oversight of contractors.

### **3. Financial Management Improvement**

The Administration is aggressively seeking to improve the timeliness, usefulness, and reliability of financial information to enable sound decision making and safeguard the government's assets. Since the enactment of key legislation during the 1990s to improve federal financial management, OIGs have worked closely with federal entities to address financial management and accounting system weaknesses. As a result, 18 of 24 Chief Financial Officer (CFO) agencies received unqualified or "clean" opinions on their Fiscal Year 2000 financial statements.

Nevertheless, much more needs to be done to improve the quality, timeliness, and usefulness of financial information and enhance financial information systems. In our last annual report to the President, we mentioned that for some agencies, attainment of a clean opinion is a fragile and somewhat artificial achievement because it results from extraordinary end-of-year efforts rather than a more constant accounting operation. The Administration's emphasis on accelerating the reporting requirements over the next few years to eventually require an audited financial statement within 45 days after the end of the fiscal year could further complicate this effort. The CFO and IG community will be working together to address this emerging issue.

Agencies will need to further streamline their processes and/or upgrade their financial information systems to achieve this goal. The IG community has developed a "best practices" guide for performing financial statement audits. Together with the GAO, we have revised the Financial Audit Manual that provides auditors with a single reference for auditing agency financial statements.

Last year, 21 of 27 OIGs considered financial management as a continuing management challenge. One area where the IG community identified a government-wide problem in financial management and provided recommendations was on the federal collection of non-tax delinquent debt that amounted to over \$46 billion. Currently, the IG community and CFOs are also conducting a joint project to determine the extent of erroneous payments and identify ways for addressing this \$20 billion problem. The OIGs are continuing to devote considerable resources not only by conducting an assessment of

these types of financial-related problems but also offering their expertise in evaluating accounting operations and financial information systems.

#### **4. Expanded Electronic Government**

According to OMB, the federal government is the world's largest consumer of information technology, yet the federal government has "only scratched the surface" of what is available to the public. The President's budget states that there are more than 31 million federal web pages on 22,000 web sites. The Administration has selected over 20 E-Government initiatives to accelerate and streamline service delivery to the public.

Again, OIGs agree that electronic technology can be used to effectively and efficiently improve services to the government taxpayer and others. However, appropriate controls need to be in place to safeguard the sensitive data and critical systems of the government. All 27 OIGs reporting last year identified information technology, security, and critical infrastructure protection as the top management challenge facing their agency. Following the events of September 11, there has been an increased focus on security and critical infrastructure protection.

The IG community has demonstrated its expertise in addressing the risks to the government's automated information infrastructure during the successful Year 2000 (Y2K) effort. Currently, we are continuing to assess the government's IT risks through the review of the government's effort to protect physical and cyber-based systems under the Homeland Security Plan. We are also conducting annual independent evaluations of the agencies' information security programs and practices as part of the Government Information Security Reform Act (GISRA). Our Information Technology (IT) Roundtable is working with the OIGs in addressing GISRA requirements through forums and training sessions with groups such as the Chief Information Officers (CIO) Council, OMB, GAO, and other organizations.

#### **5. Budget and Performance Integration**

The Administration's focus on program results through this integration of budget and performance initiative appears to be grounded in GPRA. As mentioned earlier, GPRA established requirements for agencies to develop strategic plans and performance targets, and to report annually on the progress of achieving their goals. According to a recent GAO report issued to the Senate Committee on Governmental Affairs, *Managing for Results—Agency Progress in Linking Performance Plans with Budgets and Financial Statements*, GAO-02-236, dated January 4, 2002, agencies have made some progress in linking expected performance and program activity funding. However, GAO states that additional effort is needed to clearly describe the relationship between performance expectations, requested funding, and consumed resources.

The IG community continues to consider GPRA implementation and accountability as a significant agency challenge. Last year we responded to a request from Chairman Burton on the OIGs' assessment of the most significant performance measures contained in their

agencies' performance reports and the extent to which the data or information underlying the measures was valid and accurate. Many of the OIGs have made the assessment of GPRA-related performance measures a standard part of their work. Additionally, the IG community has an active GPRA Roundtable working group to address the challenge of achieving the GPRA intent within the IG community and respective agencies.

Overall, we believe that the initiatives contained in the President' Management Agenda are a promising first step. Having said that, the success of these initiatives can only be achieved through updated, integrated information systems. As such, agencies will need to invest in updating their financial and program information systems and ensure that these systems are developed and approved in accordance with standard system architecture platforms.

### **How Does the IG Community View Its Role?**

Mr. Chairman, the IG community is clearly poised and committed to continue its contribution toward good government. As I have just discussed, collectively and individually, the IG community has been offering recommendations and advice to help agencies address their management challenges for the past several years. As charged by the IG Act, individual OIGs will continue to direct their work toward examining agency programs and operations with the goal of promoting program efficiency and effectiveness and protecting government integrity. Our job is to independently identify government vulnerabilities, facilitate solutions, and leverage our resources to promote integrity, accountability, and excellence in governance.

The PCIE is organizationally structured to respond to the requests of its shareholders as well as the needs of its community. In particular, our Audit and Inspection and Evaluation Committees have been involved in a number of the endeavors I just mentioned. In addition, our committees promote and share best practices and ensure that our standards are current and appropriate. Our two active Roundtables regularly meet to address information technology and GPRA issues. We have established working relationships with the CFO, CIO, and Procurement Executive Councils, whereby we attend their meetings and coordinate on issues needing an OIG perspective. As a community, we are actively involved and keenly aware of the significant issues facing our Nation.

As evidence of our commitment, the PCIE and ECIE *Strategic Framework* states as its first goal the community's ever-present desire to "Improve Federal Programs and Operations." This goal calls for the community to continue its identification of management challenges and exert its leadership in government-wide activities to address common challenges. In addition to the areas of focus I discussed earlier, we are currently engaged in a variety of ongoing initiatives and conversations with several different organizations to discuss best practices and consider alternatives for addressing areas of weakness. Let me share with you a few of these:

- The IG community is teaming up with the CFO community, as I referenced earlier, to form a working group to examine the existing problem with improper or erroneous payments and offer possible solutions to get this problem under control. An IG and a CFO are co-chairing the working group.
- A project team of OIGs is examining the erosion of controls over the use of Social Security Numbers within the federal government and how this contributes to the developing identity theft crisis in the Nation.
- IGs are participating in a GAO-led effort to involve federal, state, and local representatives in a discussion of domestic issues, such as education, transportation, health care, and food safety.
- The IT Roundtable is working with GAO and state and local audit organizations to address the growing gap between emerging needs and existing competencies in the information system security audit arena.

Individually, IGs build relationships with their agency heads and strive to be influential forces in identifying vulnerabilities in the agency's programs and operations and facilitating excellence by recommending improvements. Simply put, our job is to oversee operations and recommend ways to make them better. We view ourselves as "agents of positive change." An IG is clearly in a position to oversee the progress an agency is making in moving from "red to green" on the scorecard and to offer insights on opportunities to further advance the agency's progress.

Depending on the needs of the individual agency, an OIG can offer feedback on the scorecard measures and verify and validate the measures and processes. As I stated earlier, the OIGs have performed the latter role in the implementation of GPRA. An OIG can target its audit and review planning to examine operations and programs where the opportunity for advancing the agenda would be the greatest. While changes in vulnerability and risk have affected the focus of the OIGs' work and priorities over the years, we have adapted to these changes in order to remain relevant and on point. I believe that the Management Agenda offers us yet another opportunity to align our focus. While I cannot speak for how each OIG will approach its work within their agency, I am confident that each IG is mindful of the importance of this agenda and will develop a strategy to provide the most valuable input.

## **Closing**

Mr. Chairman, this concludes my prepared statement. In closing, I would like to summarize the value-added we provide to the constant focus of improving government operations and enhancing service to the public—IGs were given authority to be independent voices for economy, efficiency, and effectiveness within the federal government. We take this authority and responsibility very seriously as we are committed to promoting integrity, accountability, and transparency within our respective agencies.

I again appreciate the opportunity to share this information and hope you find our perspectives useful. As always, we appreciate your support of the IG mission and community and look forward to continuing this dialogue and maintaining a constructive relationship with you. At this time, we would be happy to respond to any questions that you or other Members of the Subcommittee may have.